A Brief Guide to the Use of Scenario Planning In Creating Economic Development Strategies

Background

The formulation of a strategic plan—whether for economic development, technology development, marketing, or a host of other purposes—is undertaken repeatedly by essentially every corporate, academic, and political entity in the world. Yet, despite the best efforts and intentions of those involved in these exercises, the vast majority of strategic plans are either not implemented due to lack of buy-in throughout the organization or are notoriously unsuccessful if implemented. In fact, from the mid-1980's to the mid-1990's, strategic planning acquired a negative connotation of sorts: executives still insisted on the exercise because "you have to have a plan", but management tended to "hold their noses" while creating them. What is the root of the "planning problem" and what can be done to improve the process?

The chief root of the strategic planning problem is independent of any standard planning methodology. Basically, any standard strategic plan assumes that a given set of internal (company, university, government agency etc.) and external (social, political, cultural, technical, economic etc.) conditions will evolve in a predictable fashion over time. Of course, the reality is that no one has a "crystal ball"—uncertainty rules--and any sort of strategic plan based on a single-point forecast of what the future will look like is almost certainly destined to be incorrect. This is great news for many management consulting firms that will gladly redo your strategic plan to compensate for this uncertainty as often as you would like for a not-so-small fee.

A solution to this problem favored by many current planners is basically to make uncertainty work for them by examining variations in the high-impact, high-uncertainty factors that will influence the future environment that a given strategy will have to deal with, combining these factors into scenarios that describe what the plausible alternative future environments would look like, and then using these scenarios as "test beds" to tune strategies to be effective in multiple scenarios. Though this process seems relatively simple, in fact I have personally participated in scenario planning projects that took six months, a million dollars, and the dedicated efforts of large teams of people to complete. In addition to the "test bed" approach, scenarios can also be used to create a system of environmental "signposts" that provide signals to planners allowing them to alter various strategies (e.g. R&D investment, economic development, marketing) on the fly without waiting for the next planning cycle.

Scenarios for MO SIEG

Clearly, a six-month, "full-bore" scenario planning process is both inappropriate and impractical for the MO SIEG project. I believe that some degree of scenario planning is better than no scenario planning at all in terms of being able to craft a robust economic development strategy that takes into account some degree of environmental uncertainty. The following is a brief guide to a "scenario planning lite"

approach that should strengthen the eventual economic development strategy. This approach, unlike the ab initio scenario planning approach, starts with a proposed economic development "baseline" strategy.

- Identify the highest impact, highest uncertainty factors in the environment (cultural, social, economic, technical, educational, political etc.) that could positively or negatively affect the success of the proposed strategy
- Also identify the high impact, low uncertainty factors since they need to be included in the creation of every scenario
- Group the high impact, high uncertainty factors into related clusters. These clusters, often referred to as "Axes of Uncertainty", are expanded based on defining them into low, medium, and high ratings. For example, if one cluster/axis of uncertainty is "Transportation Infrastructure", a low rating could be defined as "poor air passenger and cargo access, inconvenient train connections between cities, decaying roads and bridges" etc.
- The rated/defined Axes of Uncertainty and the high impact, low uncertainty factors are combined to define scenarios, which can be summarized in a couple of paragraphs each. The goal here is to describe briefly what "the world/state" would look like in each scenario. If chosen and described as indicated above, the scenarios will define the boundary of what some call the "Envelope of Uncertainty" surrounding the strategy.
- Use the scenarios as a test bed for the economic development strategy. What aspects of the strategy could be changed to make the strategy more effective in a wider variety of scenarios? Are there any scenarios that would represent a disaster for strategy implementation? What are the key signposts to watch for in the environment that would suggest a move to a different scenario requiring an "on the fly" strategy adjustment

In my experience, an abbreviated scenario exercise such as this can be completed in a day with a small team of people and would provide a major benefit in increasing the odds of success. I would be pleased to discuss this process in greater detail with all interested parties and would also be pleased to facilitate such a day-long workshop at the appropriate time.

Respectfully Submitted,

Mitchell Halpern PhD

Director of Technology Commercialization and Economic Development, UMSL

Member, St Louis Regional Planning Team